open a new place of business outside India without obtaining the prior permission of the Reserve Bank. Section 23, sub-section (2) of the Act says that before granting any permission, the Reserve Bank may require to be satisfied by inspection under section 35 or otherwise as to the financial condition and history of the company, the general character of its management, the adequacy of its capital structure, and earning prospects, and that public interest should be served by the opening, or as the case may be, change of location or the place of business. This is a statutory power coupled with the statutory duty and the RBI, therefore, has to both exercise the power and perform the duty.

SHRI SANTOSH BAGRODIA: Sir, amend it.

RBI Governor's meeting with Indian banks' Association

*123. SHRI PRASANTA CHATTERJEE: Will the Minister of FINANCE be pleased to refer to answer to Unstarred Question 4014 given in the Rajya Sabha on 23rd May, 2006 and state:

(a) whether any pre-credit policy meeting was held between Governor, Reserve Bank of India and Indian Banks' Association on 28th March, 2006; and

(b) what are the details of the submissions made by the Chief Executive of Indian Banks' Association in this meeting?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) A Statement is laid on the Table of the House.

Statement

(a) and (b) A meeting was held between Governor, Reserve Bank of India and the delegation of the Indian Banks' Association on 28th March, 2006, as a part of customary consultations with the industrial representatives before Annual Policy announcements. The issues discussed, *inter-alia*, related to credit growth and market liquidity, Benchmark Prime Lending Rate, cash reserve ratio, etc. The discussions, however, are not minuted.

SHRI PRASANTA CHATTERJEE: Sir, in my earlier question dated 23rd May, the Honble Minister has said that the Chief Executive of the

Bank's Association has not made any comment on bank deposit being cannibalised by mutual funds and other attractive instruments. Now, in today's reply, the Minister says that some of the issues were discussed, like credit growth, market liquidity, and those are not minuted.My question is this. *The Indian Express* on 30th March reported some of the glaring examples how the citizens withdrew their deposits to invest in equity mutual funds. The Chief Executive of Indian banks' Association has said in that report that, "There is a cannibalising of our deposits by mutual funds and other attractive instruments. There is a pressure on our deposit growth, and we are heading towards a mismatch between deposit and credit growth." If so, how does the Minister hope to reduce the gap?

SHRI P. CHIDAMBRAM: Sir, I cannot comment on a newspaper report. I can only go by what is available to me on the record. When Chief Executives of banks meet with the Governor, they discuss a wide range of issues relating to the banking sector. I have said in my answer this included issues relating to credit growth. And obviously when one discusses credit growth, one would also discuss deposit growth. Therefore, I have no doubt, in my mind, that the Governor and the Chief Executives did discuss deposit growth. Now, credit growth is very, very bouyant, on year-and-year basis, it is growing at a little over 30 per cent this year, as it did last year. Deposit growth has to match credit growth; otherwise, as the hon. Member rightly said, there will be a mismatch. One of the steps that we have taken recently and notified yesterday, which you may have read in the newspapers today, we have allowed bank term deposits of five years under section 80 C as promised in the Budget speech. Many bank chairmen have welcomed the announcement that has been notified yesterday. This, I think, will also help the banks to mobilise deposits. Deposit mobilisation is good, but credit growth is even more robust. We keep a careful watch over the situation and whatever steps need to be taken to ensure that the banks are able to mobilise deposits, will be taken from time to time.

SHRI PRASANTA CHATTERJEE: Sir, my supplementary is that many examples have been cited in the paper by the corporate bank manager and all. Now, arising out of the overall situation, collections of

small savings are being badly affected and West Bengal is the worst affected State. Whether the Government of West Bengal has taken up those difficulties with the Central Government; and, if so, what is the response of the Union Government?

SHRI P. CHIDAMBARAM: Sir, with respect, this does not arise out of this question. I am not aware that collection of small savings deposits has been affected. I don't have the figures with me. But, I think, last time, when I saw those figures, collection of small savings deposits was quite good. But, I don't have the figures with me to answer this question now.

SHRI M. VENKAIAH NAIDU: Sir, consequent to this meeting, the credit policy was also announced. In view of the increase in the interest rates and also interest on deposits, is there any proposal before the Government to increase the interest on small savings and also on the Employees Provident Fund?

SHRI P. CHIDAMBARAM: There is no proposal before the Government.

SHRI P.G. NARAYANAN: Mr, Chairman, Sir, I am given to understand that the employees of the nationalised banks, especially officers, are forced to work more than ten hours a day. Some of them have to even forego their weekly holidays. Tenth century labour practices are imposed on bank employees by the management of nationalised banks. Sir, I understand, this important issue has not been discussed with the Indian Banks' Association. I am also told that the Indian Bank employees are going on strike on this issue on 8th August. Sir, will the Finance Minister come forward to order a probe into the working condition of the employees of nationalised banks in our country?

SHRI P. CHIDAMBARAM: Sir, this supplementary does not arise out of this question.

MR. CHAIRMAN: Next Question No. 124, Member absent.

*124. *The questioner (Shri C. Ramachandraiah) was absent. For answer vide page 31)*